

**Senate Committee on Appropriations
Subcommittee on
Veterans Affairs, Housing and Urban Development, and Independent Agencies
Written Testimony
David Eisner
Chief Executive Officer
Corporation for National and Community Service
April 8, 2004**

Mr. Chairman and Members of the Committee,

Thank you for the opportunity to discuss President Bush's fiscal year 2005 budget proposal for the Corporation for National and Community Service, as well as the financial and management improvements that our agency has made during the past year.

To begin, I want to thank this Committee for all the extra attention you and your staffs have devoted to the Corporation over the past year, and to express my deepest gratitude and appreciation for your leadership in helping to make things right, including your support of the President's 2004 budget request for the Corporation. That appropriation will enable us to support a record 75,000 AmeriCorps members and will allow us to engage approximately 1.8 million students in service to their communities through service-learning programs supported by Learn and Serve America. Those opportunities are critically important in helping to foster a culture of citizenship, service, and responsibility in our Nation.

As you all know, last year's budget hearing came in the midst of a tumultuous year for the Corporation, with serious questions raised by members of this Committee and others about our financial and operational management. Twelve months later, I am pleased to report that the Corporation is in a far stronger position, thanks to your leadership and a number of other interrelated factors.

First, the agency's Chief Financial Officer, Michelle Guillermin, who joins me here today, and her expanded financial team have been extremely busy over the past year implementing a comprehensive new set of policies regarding both the awarding of grants and the enrollment of members. The aim is to ensure that last year's problems with the National Service Trust are never repeated, and to foster decision making that is based on timely and credible data. The team has also spent considerable time and effort applying its financial and budgetary expertise to the general finances and operations of the Corporation.

Second, in June, Congress passed the Strengthen AmeriCorps Program Act, which President Bush signed in early July. The legislation establishes for the first time a clear set of budgeting guidelines for the National Service Trust, including when to record an education award obligation and in what amount. It also establishes a reserve fund to protect members in the event that the estimates used to calculate the obligation are incorrect.

Third, our Board of Directors, under Chairman Steve Goldsmith, has taken on a more active role and increased its oversight responsibilities. Last year, the Board's Grants Management Task Force examined the procedures we use to solicit, review, award, and monitor grants and recommended that the Corporation set clearer priorities and eliminate barriers for faith-based and new applicants to receive Corporation funding. The recommendations led to the establishment of a new Office of Grants Policy and Operations to oversee the Corporation's grant-making activities. Last fall, the Board, along with Congress, directed that AmeriCorps undertake rulemaking to resolve several key issues, such as sustainability of grantees and Federal share of member costs, that in the past have created inconsistency for grantees – a process that is now under way. Several new directors, including Cynthia Boich Burleson and Henry Lozano, have come on board, adding experience and fresh perspectives. And, to increase its oversight of Corporation operations, the Board has required the CEO to certify that approved grants are consistent with the Board-approved application guidelines.

Unfortunately, Chairman Goldsmith could not be here to testify in person. However, I have submitted with this testimony a letter from him, addressed to Senators Bond and Mikulski, in which he provides additional information about other recent actions taken by the Board.

Finally, since coming to the Corporation in December, I have worked closely with the Board to stress three management priorities to guide the way the Corporation conducts its business, both internally and externally. These management priorities are:

- 1) Restore trust and credibility;
- 2) Manage to accountability; and
- 3) Keep the focus on the customer.

In my four months at the agency, we have made significant progress on each of these priorities, and I expect to continue to make significant progress in the months ahead. I never cease to be impressed by the dedication, professionalism, and resourcefulness of the employees at the Corporation, who strive on a daily basis to make our programs and our service opportunities as meaningful – and as accountable – as possible.

As a result of all of these efforts – the actions of the CFO, the Strengthen AmeriCorps Program Act, increased Board oversight, and the commitment of myself and Corporation staff to the management priorities I have just noted – I am proud to report that a new level of fiscal and operational integrity marks the way the Corporation operates. Indeed, a number of recent outside reviews of the Corporation's management – by the GAO, our Inspector General, and the independent auditing firm Cotton and Company – have found that: 1) we are in compliance with the requirements of the Strengthen AmeriCorps Program Act; 2) we are following generally sound business and accounting practices; and 3) management reforms are effectively addressing the identified weaknesses.

On March 12, as directed in the Omnibus Appropriations Act, the Corporation submitted to this Committee a comprehensive report detailing implementation of corrective actions and future plans for achieving management reforms and increased accountability. Because these improvements are of considerable interest to the Committee, I would like to highlight some of them:

Trust Management

After the problems with the National Service Trust were discovered in late 2002 and before the AmeriCorps enrollment pause was lifted in March 2003, the Corporation instituted a set of strict new procedures regarding the awarding of grants and the enrollment of members, many of which were explained to this Committee last year. The Corporation also enhanced its management of the Trust by improving internal communication between departments and by clearly identifying those persons responsible for Trust operations and oversight. That area was cited in several reports as having been a major weakness in the way the Trust had been managed.

The Strengthen AmeriCorps Program Act of 2003 determined that the National Service Trust obligation should be recorded at the time of approval of an AmeriCorps position. This change provides extensive safeguards against potential difficulties. In addition, as I mentioned earlier, the Act established a reserve fund to serve as a safety net in case actual education award usage varies from our estimates, and specified the accounting practices to be used for determining the liability for education awards. This marks the first time that a detailed procedure for recording Trust obligations has been set into law.

We are institutionalizing broad reforms to ensure that the budgeting, planning, recording, and reporting practices associated with the Trust comply with all legal requirements and meet the highest standards of management. This includes establishing fund control regulations as required by OMB Circular No. A-11. CFO Guillermin and her staff also have developed new certification procedures designed to systematically control the approval of education awards and to monitor enrollments and other indicators related to Trust liabilities.

In addition, under the leadership of a new Chief Information Officer, we have made good progress in upgrading and integrating our technological capabilities. In particular, we have begun to incorporate the capability of our Web-Based Record System (WBRs) – the system that tracks information associated with an enrolled AmeriCorps member – into eGrants, the system through which organizations apply for grants and issue compliance reports. These improvements allow the Corporation to get a much better snapshot of member enrollments at any given time, and prevent grantees from enrolling more members than have been allotted to them in their grant. We will continue to monitor these processes, improve our technological capabilities, and work with our Inspector General, the Office of Management and Budget, and the General Accounting Office to ensure responsible stewardship of the National Service Trust.

Grants Management

The new Office of Grants Policy and Operations is charged with overseeing the daily operations of the grant review process and with improving the Corporation's grant-making activities. A new, streamlined peer review process has been implemented, and the CIO has begun to make improvements to the eGrants system, through which all grant applications funded by this Committee are submitted and reviewed.

The Internet-based eGrants system allows our grantees to go to one place to apply for grants, submit progress reports, and complete financial status reports. The applications are evaluated by Corporation staff using the system, and once a grant is awarded, the current status and any changes are also tracked through the system. Use of eGrants has significantly reduced the paperwork and time needed to process a grant. This and other IT enhancements allow the Corporation to make timelier grant awards, monitor grants more effectively (including enrollment and expenditures), and be more responsive to the needs of grantees.

Performance Measurement

Performance measurement is a key area of grantee and program accountability. By FY 2005, the Corporation will have fully implemented an ambitious, multi-year performance measurement program in which we: 1) require each grantee to submit information on performance, documenting the actual impact of the program on the people and communities it serves; 2) provide ongoing training and technical assistance to grantees in establishing and collecting performance-based information; 3) develop national outcome-oriented performance measures and indicators for all our programs; and 4) collect annual performance data from participants, grantees, sub-grantees, and end beneficiaries in all Corporation programs.

Currently, all programs that apply for funding from the Corporation (except in the Challenge Grant category) must submit applications that propose at least three self-nominated performance measures – one output, one intermediate-outcome, and one end-outcome. Learn and Serve America applicants are required to submit performance measures in at least one of four program impact areas: promotion of civic responsibility; improved academic performance, reduction in risky behaviors, and institutionalization of service-learning and civic participation. In 2003 and 2004, AmeriCorps revised its program guidance to require grantees to develop a performance indicator on “volunteer leveraging” (grantees that are unable to incorporate volunteer leveraging activities into their program must provide an explanation.) The measures developed by the grantees must be approved by Corporation staff. All negotiated performance measures are included in grant awards, and grantees must meet proposed performance measurement targets or explain and address any performance deficiencies. Through performance reporting, the Corporation is committed to rewarding successful programs with continued or increased funding, while holding poor-performing programs accountable for their results.

The Corporation also has worked closely with state service commissions to develop a set of administrative standards by which to assess their performance in overseeing national and

community service programs. Commissions have been established in every state except South Dakota. In addition, the District of Columbia, Puerto Rico and American Samoa each have active commissions. Currently, 44 of the 52 commissions have met all administrative standards. Of those outstanding, two are new commissions and will be reviewed for the first time this year. In FY 2005 we expect at least 50 commissions to meet the standards. Our program officers and state administrative standards project manager are providing technical assistance to assist in resolving outstanding issues.

Other Improvements

Our efforts to improve management of the Trust were designed to foster a management culture that relies on credible data in awarding grants and in setting program goals. Through a variety of new systems and procedures, we have also applied this mindset to other operations of the Corporation. For example, we have implemented a new budget process that links financial requests to performance measures, and an expanded staff of budget analysts is supporting our programs while striving to improve financial analysis and implement performance management. In addition, we have increased efficiency and thoroughness and have made great strides toward eliminating a significant backlog of outstanding audit matters and grant closeouts.

The challenges of last year spurred a number of other changes. We have reorganized and flattened the Corporation's management reporting structure and assembled a new executive management team that is responsible for overseeing a broad slate of management reforms in program and personnel management. In addition to the new Office of Grants Policy and Operations, we have added a Senior Advisor on Faith-Based Initiatives, housed in the CEO's office, to conduct outreach to faith-based organizations, especially those with no previous history of Corporation funding. And, after a thorough review and in close consultation with our employees and their union representatives, we are implementing significant changes to the Alternative Personnel System, through which the great majority of our employees serve. Of greatest importance, we are ending the term-appointment system, which worked as a disincentive to creating a stable, high-performing workforce.

To continue this progress, we are contracting with the National Academy of Public Administration to study and make recommendations about our leadership structure, operations, management, and grants programs. In addition, we will be conducting a Business Process Review of several key functions in the effort to become a more efficient and effective organization.

As an indication of the Corporation's commitment to the highest levels of management and financial accountability, the agency obtained an unqualified independent auditors' opinion on our financial statements for fiscal year 2003, with no material weaknesses and only one reportable condition. The development of measures for financial accountability for both internal Corporation operations and our grantees will continue to be a priority in the current and upcoming fiscal years.

EXECUTIVE ORDER AND RULEMAKING

Two recent developments – an Executive Order on National and Community Service Programs and the AmeriCorps rulemaking process, which is currently under way – will help accelerate our management improvements in fiscal years 2004 and 2005.

Executive Order 13331 on National and Community Service Programs, signed by the President on February 27, 2004, directs the Corporation to adhere to four fundamental principles in the administration of its programs: 1) support and encourage greater engagement of Americans in volunteering; 2) respond more effectively to State and local needs; 3) be more accountable and more effective; and 4) increase involvement with grassroots faith-based and community organizations. The Executive Order further directs us to review our policies and programs for consistency with the principles; to change inconsistent policies so that they maximize support from the private sector and leverage Federal resources to build the volunteer infrastructure of faith-based and other community groups; to institute management reforms that comply with all budgetary and fiscal restrictions and that tie employee performance to fiscal responsibility, attainment of management goals, and professional conduct; and to report back to the President within 180 days on the actions the Corporation proposes to undertake to accomplish these objectives.

Many of the above issues are being addressed as part of the rulemaking process, which we currently are undertaking to address a number of issues that have proven to be particularly difficult to resolve, including sustainability, Federal share of costs, match requirements of grants, and volunteer leveraging. Over the past four weeks, the Corporation has conducted public meetings on rulemaking in Columbus, Seattle, Boston, Dallas, and here in Washington, as well as having held a number of conference calls. At each of those sessions, we have heard the opinions of the Corporation's various stakeholders in advance of publishing proposed rules for public comment. We have taken this extra step because we understand the complexity of the issues involved and we are committed to building trust and credibility through an open and honest exchange with our stakeholders.

Our grantees, members, state commissions and other partners all have legitimate and varied points of view about the rules governing the future of the program. The issues at hand are complex and do not lend themselves to easy answers. However, these stakeholders also have a wealth of experience, knowledge, and new ideas that we can harness – that we must harness – to get rulemaking right.

The goals of both the Executive Order and rulemaking are: to make our programs more efficient, effective, and accountable; to ensure that national and community service programs add value to traditional volunteering and the nonprofit world; and to bring a far greater degree of consistency, predictability, and reliability for our grantees.

While the rulemaking process continues, the Corporation has taken a number of steps to move AmeriCorps in the direction indicated by the President, Congress, and the Board for the

2004 program year. As we strive to reach 75,000 members, the Corporation has issued grant guidelines for 2004 that call for a lower average cost per member (average cost per FTE includes the Corporation's share of member support, other than the education award and child care costs, and program operating costs). We also expect to increase the percentage of AmeriCorps members participating in the Education Award Program, in which the Corporation is responsible for the education award and a small administrative fee but is not responsible for paying members' stipends or other costs of the program, from 37 percent to 40 percent. And, we are working to increase the number of professional corps grantees within our portfolio.

As a result, we anticipate that the projected average cost per full-time equivalent (FTE) of AmeriCorps*State and National stipend programs for FY 2004, not including EAP Grants, will be about \$9,450 – or about 10 percent below the FY 2002 baseline level of \$10,507. This reduction is consistent with the 2004 Omnibus Appropriations Act, which directs the Corporation to reduce the total Federal costs per participant in all programs.

WHAT WE DO

The Corporation's programs are an integral part of President Bush's effort to create a culture of citizenship, service, and responsibility in America.

AmeriCorps members help build the capacity of the nonprofit community and leverage thousands of volunteers to serve with nonprofit organizations, public agencies, and faith-based organizations in rural and urban communities throughout the Nation. AmeriCorps members and volunteers tutor and mentor youth, build affordable housing, help close the digital divide, clean parks and streams, run after-school programs, and help communities respond to disasters. In 2003, AmeriCorps members also focused their efforts on helping to meet the Nation's homeland security needs – a priority that will continue in 2004 and 2005. AmeriCorps*NCCC (National Civilian Community Corps) is a team-based, residential program designed specifically for those between the ages of 18 and 24. Through the program, about 1,250 young men and women serve with nonprofit groups to provide disaster relief, preserve the environment, build homes for low-income families, tutor children, and meet other challenges. In 2003, AmeriCorps*NCCC members responded to 36 requests for emergency relief, including Hurricane Isabel along the mid-Atlantic coast; fires in California, Colorado, Wyoming and Arizona; tornadoes in Kansas, Mississippi, Oklahoma and Missouri; floods in Texas, Kentucky, Alabama and Tennessee; and the recovery of debris from the Space Shuttle *Columbia*.

Learn and Serve America serves as an “on ramp” to a lifetime of civic engagement for approximately 1.8 million students who participate in service-learning projects supported by the program. Service-learning can bring together many youth development strategies – including character education, civic education, and career education – that schools and other youth-serving organizations use to help young people navigate childhood. It also helps meet local needs, creates community ties, increases academic achievement, and spurs civic awareness.

We have just announced and will soon be issuing Learn and Serve continuation grants for the second year of three-year grants to schools, colleges, and community organizations in all fifty states. Many of these grants will be awarded to programs that link the teaching of history and civics with service. The grants support educators' efforts to help their students understand the

meaning of civic participation in American democracy. This time next year, we will have a full year of progress reports on these programs, and I look forward to giving you a more comprehensive report then.

To a great degree, all our programs are about fostering the ethic of good citizenship and putting into practice the democratic ideals of self-government and service to others. Other initiatives under the Corporation's umbrella include the President's Council on Service and Civic Participation, which sponsors the President's Volunteer Service Award; the National Conference on Community Volunteering and National Service, the premier gathering of those who work in volunteer management and the voluntary sector; Presidential Freedom Scholarships, which provide matched scholarships of \$1,000 to high school students who have demonstrated exemplary leadership in community service; and the Martin Luther King, Jr. Day of Service, which seeks to transform the MLK holiday into a day of community service honoring Dr. King's memory, as exemplified by the United Way of Southeastern Pennsylvania's use of its \$6,500 grant to support a city-wide day of service in Philadelphia involving more than 40,000 volunteers. All these programs have the goal of increasing the numbers of Americans of all ages involved in their communities.

From a Bureau of Labor Statistics survey that the Corporation helped initiate, we know that in 2003, 63.8 million American adults volunteered through formal organizations – up 4 million from a year earlier and still strong some two years after September 11. As we reform our programs, the Corporation is striving to ensure that national service intentionally works to broaden, deepen, and strengthen the ability of these 63 million volunteers to contribute effectively to society – and of America to capture this strength.

As I noted earlier, one important role for national service is to serve as an engine of volunteer mobilization, and we are finding ways for more and more of our AmeriCorps members to devote more of their time to helping charities recruit, train, and manage volunteers. The President's Executive Order will facilitate this process.

The value of this volunteer-leveraging role to the nonprofit world is highlighted in a recent comprehensive study of volunteer management capacity at charities and congregational social service outreach programs across the United States commissioned by the Corporation, USA Freedom Corps, and the UPS Foundation. The study found that these groups valued their volunteers for these important reasons:

- they were instrumental in reducing costs;
- they improved the quality of services provided; and
- they raised awareness of the organization in the community.

Moreover, the study also found that the strongest predictor of achieving high value from volunteers was having a person on hand to manage volunteer activities.

Our members can provide an extremely valuable resource to charities, and we are going to continue to strengthen relationships with grantees that use members effectively to recruit and manage episodic volunteers. What is more, we are looking for other ways to use AmeriCorps

members to help build the capacity of nonprofit groups, both faith-based and secular. Building capacity broadens charities' reach and helps them to become more efficient, effective, and, ultimately, self-sustaining.

This does not preclude national service participants from continuing to provide direct service. It stresses those areas where national service can add value to the millions upon millions of volunteers who serve their communities every day through traditional volunteer networks and nonprofit organizations.

2005 BUDGET PROPOSAL

In our 2005 budget proposal, the Corporation is asking for a total of \$642.2 million from this Committee. This includes \$442 million to support reaching our target of 75,000 AmeriCorps members; \$27 million for the National Civilian Community Corps; and \$46 million for Learn and Serve America.

The President's 2005 budget request largely parallels the 2004 enacted budget, but with a few added investments in targeted programs and initiatives. These new investments are designed specifically to further our goals of leveraging the numbers of volunteers engaged in service activities, increasing outreach to new groups, and ensuring that the Corporation is accountable for results while providing adequate assistance to our grantees. They include:

- A \$3 million increase for Learn and Serve America, specifically to fund a program to educate teachers about service-learning techniques. The training program is designed to increase both the quality and the quantity of educators, who will then engage thousands more students in meaningful service to their communities. If passed, this would be the first increase in funding for Learn and Serve America in a decade.
- A \$2 million increase for the AmeriCorps*NCCC program to provide much-needed capital improvements to the five regional campuses across the country, located in Charleston, South Carolina; Denver, Colorado; Perry Point, Maryland; Sacramento, California; and Washington, D.C. The capital projects include vitally important roof repairs, accessibility upgrades, and fire safety enhancements.
- A \$7.6 million increase for Challenge Grants, an innovative grant program that requires a two-for-one private match for every Federal dollar offered. For the first Challenge Grant competition in 2003, we received 52 applications requesting a total of \$36.8 million and awarded a total of \$5.9 million in grants to eight nonprofit organizations. The Notice of Funds Available for 2004 – for \$2.4 million in grants – is to go out shortly. In FY 2005, the minimum Challenge Grant award will be reduced from \$500,000 to \$100,000, and the maximum will be reduced from \$1 million to \$500,000, enabling us to support many more grantees. We estimate that up to 30,000 citizen volunteers will be supported through this program, that many previously unfunded groups will apply, and that it will serve as a powerful catalyst to bring new private supporters of service to the table in many communities.

- A \$3 million increase for Next Generation Grants. Because prospective grantees in this competition cannot have received prior funding from the Corporation and must have organizational budgets of \$500,000 or less, this program is an important part of our outreach to faith-based and other community organizations. In the first of these competitions, for which a total of \$5 million (\$4 million from FY 2003 and \$1 million from FY 2004) had been appropriated, we received more than 1,150 proposals requesting more than \$280 million. From those, we have asked 23 “finalist” organizations to submit a full application, and we expect to select roughly half for funding by mid-June. We believe that both Challenge Grants and Next Generation Grants will decrease the pressure for earmarked appropriations.
- \$20 million to fund a “Silver Scholarship” program to provide transferable scholarships of \$1,000 each to nearly 10,000 senior volunteers who, through a special grant program run by the Corporation, dedicate 500 or more hours tutoring or mentoring a child over the course of the year. The program will support organizations that help meet President Bush’s goal that every child be able to read by the third grade. Approximately half the request is for program grants, and the other half is for the National Service Trust to fund the scholarships in a model, pioneered through the AmeriCorps program, with tremendous potential to mobilize the aging baby boomer population.
- An increase of \$5 million for training and technical assistance to help grantees successfully manage their programs, including providing necessary assistance for grantees to attract and manage additional volunteers, and to raise funds from other sources. Grantees will receive training in how to build their organizational capacity and become more sustainable.
- An increase of \$3 million for evaluation to help ensure that our programs are efficient and effective, as well as to develop new and more effective tools to measure the impacts and outcomes of our programs. The Corporation currently is in the midst of implementing a leading-edge performance measurement system. These funds will support continued collection and analysis and support scientific evaluations of program impacts, cost-benefit studies, and other projects that inform our program design and management.
- A \$6.7 million increase for program administration to ensure that the Corporation and state service commissions have sufficient operating funds. At a time when the Corporation has been called on to increase effectiveness, performance, accountability, and performance measures and to expand outreach to small community and faith-based organizations – when the AmeriCorps program has grown by 50 percent – we must have resources to continue to maintain a sufficient level of support and oversight. Following a reduction of 18 employee positions in 2003, our request would restore key staff, provide for adjustments to current services, increase employee training, and fund badly needed updates to the material we use to promote national and community service.

CONCLUSION

Because of the challenges faced by the Corporation last year, it has been necessary to focus a good deal of this testimony on the financial and management improvements that we have made over the past year. It has also been necessary to work to rebuild the trust and credibility of the Corporation with many its stakeholders, from grantees and their private supporters to AmeriCorps members and Members of Congress.

In the past four months, we have seen significant progress in this area. I am committed to working with all our constituencies in an open, honest, and above-board manner. We are working to be more open and responsive to Congress, informing you in advance of significant developments concerning our agency, including grant awards and the decision to begin the rulemaking process, as well as meeting with your staffs on a regular basis to report on progress. And, embarking on the rulemaking process has been very helpful in demonstrating to our grantees and to the field of potential grantees that we are committed to a new level of open and inclusive communication.

Of course, one of the best ways to build trust is to meet expectations – to do what we say we are going to do, and do it well. And that means managing to accountability, one of my management priorities. As noted earlier, we have made significant strides in that direction, and I look forward to working with you to continue to strengthen national and community service in America.

In sum, because of your leadership and our commitment to management excellence, the Corporation for National and Community Service is far stronger than it was last year. We have heard Congress' concerns about our management weaknesses and are committed to achieving the highest levels of accountability, efficiency, and effectiveness in all our operations. Furthermore, we share with Congress the common goals of developing strong, high-quality national service programs; of attracting a diverse set of grantees; and of leveraging taxpayer funds to the greatest extent possible.

Mr. Chairman, this concludes my remarks. Ms. Guillermin and I would be happy to answer any questions that you might have.